TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Proposed Travel

ITEM NUMBER: 8a

ATTACHMENT(S): 2

ACTION: X

DATE OF MEETING: October 12, 2000

INFORMATION: ____

PRESENTER(S): Jim Mosman

99/00 TRAVEL CALENDAR

CONFERENCE	LOCATION	CATEGORY	ATTENDEE
July			
Pension 2000	Girdwood, AK 07/08-11/00		Mr. Mosman
August			
Investment Trends for the Millennium	Rockport, ME 08/13-16/00	3	Dr. Bodle
September			
Pensions 2000	Austria 09/08-16/00		Mr. Mosman
Fundamentals of Money Management	Philadelphia, PA 09/24-29/00	3	Mr. Robinson
Council of Institutional Investors	Boston, MA 09/25-26/00		Mr. Waddell
Master Custodian Site Visits	Boston, MA and Tampa, FL 09/27-29/00		Mr. Mosman
October			
NCTR Annual Conference	Boston, MA 10/01-04/00	2	Ms. Zink Dr. Bodle Ms. Raffel Mr. Mosman Mr. Carter Mr. Derman
√ NACIO Conference	Sioux Falls, SD 10/14-18/00		Mr. Ailman
November			
√ NCTR Planning Meeting	Salt Lake City, UT 11/01-04/00		Mr. Mosman

√ Approval Requested

Attachment 1

EXECUTIVE STAFF TRAVEL REQUEST

Staff Member:	James Mosman Chief Executive Officer	
Dates of Travel:	November 1 - 4, 2000	
Destination:	Salt Lake City, UT	

EXPENSES:	Transportation:	$650
	Lodging and Per Diem:	$700
	Registration: N/A	Category:

PURPOSE OF TRIP: Attend a planning meeting for the National Council on Teacher Retirement

(Date is tentative)

Attachment 2

EXECUTIVE STAFF TRAVEL REQUEST

Board/Staff Member: Christopher J. Ailman

Dates of Travel: October 14 - 18, 2000

Destination: Sioux Falls, South Dakota

EXPENSES: Transportation: $800.00

Lodging and Per Diem: $160.00

Registration: $1,200.00 Category: N/A

PURPOSE OF TRIP:
To attend the annual National Association of Senior Investment Officers (N.A.S.I.O.)

(Please attach meeting itineraries, conference agendas, invitation letters, etc.)

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Travel Summaries	ITEM NUMBER: 8b
	ATTACHMENT(S): 2
ACTION: X	DATE OF MEETING: October 12, 2000
INFORMATION: _____	PRESENTER(S): Jim Mosman

Board Member reports due:
Dr. Bodle - Investment Trends for the Millennium (attached)

Executive Staff reports due:
Mr. Mosman - Pension 2000 (attached)

Attachment 1

TRAVEL REPORT

Name: Yvonne Bodle

Title: Board Member

Destination: Rockport, Maine

Funding Source: CalSTRS

Other: _N/A

Travel Costs: $ 2,500

Travel Period: August 13 - 16, 2000

PURPOSE OF TRIP: To attend Opal Group's Investment Trends for the Millennium

SUMMARY / HIGHLIGHTS:

The conference focused on the changing economy: Internet and E-Commerce - using E-consulting as a tool for a retirement board and what fiduciary issues might be associated with it; website design for institution investments and how the internet will change the financial community. There were workshops on class action litigation, the highest investment growth areas for the next five years, a debate between growth vs. value stocks and incorporating alternative investments into a portfolio.

The second and third days focused on risk budgeting, private equity, building a portfolio, asset allocation and risk controlled in-house investment strategy. Lively discussions centered on the impact of the DROP benefit program and the politics of Boards and staff.

Attachment 2

TRAVEL REPORT

Name: James Mosman

Title: Chief Executive Officer

Destination: Budapest, Hungary and Vienna, Austria

Funding Source: CalSTRS

Other: N/A

Travel Costs: $4,530

Travel Period: September 8 - 16, 2000

PURPOSE OF TRIP: Attend Pension 2000's Dialogue Along the Danube

SUMMARY / HIGHLIGHTS:

The primary thrust of this conference was to assess Eastern European capital markets and then ascertain whether these markets represent present or future investment opportunities for U.S. pension funds. CalPERS has taken the lead in this regard with a $200 million commitment to two private equity funds with a focus on countries in this region.

The first couple of days of the conference focused on Hungary. It represents a good example of how some countries in Eastern Europe have made progress in their economic development since the fall of communism in 1989-90. The transition from a socialist state to a capitalistic economy was extremely difficult at first. Most countries experienced an actual decline in the standard of living as social welfare programs were modified in order to stimulate a capitalistic economy. Socialism fosters complete dependence upon the State and stifles the creativity, energy and , of course, capital which is necessary for entrepreneurism. The fact that Hungary has a highly educated population has helped them to overcome the dependence upon the State. The Hungarian economy actually declined for the first five years after the Communist fall. Only after dramatic reforms began to take hold did the economy commence an upward trend, and in the last five years, Hungary's GDP has grown at a 4-5% pace which exceeds most of Western Europe. It currently hopes to qualify for entrance to the European Union in 2003 or 2004.

Eastern Europe, as one would expect, is starved for capital. Communism permitted little, if any, capital accumulation and at the same time, it allowed significant deterioration of basic infrastructure and the environment. While great progress is occurring in some Eastern European countries, and particularly in Poland, the Czech Republic and Hungary, the standard of living remains dramatically below other Western European countries. Our group toured a factory in Budapest which manufactures buses for primarily U.S. and U.K. consumption. The highly skilled workers in the factory receive a wage in the neighborhood of $400 per month and are considered fortunate.

It will be awhile before public markets are sufficiently developed in these countries to represent viable investment opportunities for pension funds. There is a steady flow of Foreign Direct Investment (FDI) going into this region. Many household names in the U.S. such as General Electric have substantial investments in Hungary for instance. It is estimated that U.S. multinationals are investing over $1 billion dollars annually in Hungary alone; and the U.S. is the second largest investor in Hungary after Germany.

Hungary clearly has a way to go before it can compete on an equal footing with its Western European neighbors. Its population still has not made a full transition away from Socialism. As one speaker put it "one-third live well, the other 2/3 need help." With a continued flow of capital from the West, it appears the country will make steady progress. Perhaps one significant indicator is that one-third of the graduates from its university system hold engineering degrees. This talent pool should be highly attractive to any technology-oriented company. It seems then, that in the foreseeable future, opportunistic investing with knowledgeable partners familiar with the region will be the best vehicle for pension fund investments.

The final two days of the conference were spent in Vienna. Austria is a member of the European Union, but its economy is small in comparison to countries such as France, Germany and Italy. Its' relatively small population of 10 million and geographic size leave it in the shadow of its large West European neighbors like Germany and Italy. Nevertheless, Austria is a developed country and has many features we associate with an advanced nation such as stable political institutions, the rule of law, and even its own stock market. It has very low unemployment and high productivity in its workforce.

Austria does not see itself as a stand-alone economy which can thrive independently. It views the development of Eastern Europe as a golden opportunity and in this regard, Austria sees itself as "the gateway to Eastern Europe." Austrian officials believe that the country will play an integral role in developing a regional economic alliance with countries in Eastern Europe. Austria and its eastern neighbors could comprise a substantial economic base with a combined population approaching 50 million people. Almost immediately upon the demise of communism in Eastern Europe, Austria began to stretch its economic influence into Hungary, the Czech Republic and Poland.

On the negative side, many major Austrian corporations still have substantial state ownership which appears to impede their growth potential. A privatization movement is underway with the state-owned telecom company expected go public in the fall. Perhaps amazing by U.S. standards, only 6% of the Austrian population hold an equity interest in the private sector. It is hoped that the privatization of the telecom company will induce more Austrians to own an equity position.

Similar to much of Western Europe, Austria's social security system is strictly pay-as-you-go and changing demographics make it a ticking time bomb. There is virtually no private pension system in the country which makes the population completely dependent upon a generous social security system. No one wants to deal with the problem and a day of reckoning will face the country in the not too distant future. Ironically, Hungary and Poland have introduced funded pension plans in addition to basic social security plans and these privately managed plans are in the process of accumulating assets and making investments. In the long run, they could be better off than their currently better developed Western neighbors.

All in all, this trip was extremely worthwhile as an educational vehicle. High-ranking officials from the respective countries, and the U.S. Ambassador in each country, provided great insight into the opportunities, and problems, facing these countries. A great deal of time was also spent in discussions about Europe in general. There is obvious concern about the decline of the Euro and the ultimate impact on the region. As to Eastern Europe, I was impressed with the progress that has made in the decade since the fall of communism. Several countries are developing at a rapid pace with significant foreign investment. There does not appear to be the kind of corruption and black market present that is such an issue in Russia. This part of Europe wants to integrate with the West even if this process is painful at times. I do not think it will be long before these countries are viewed as entirely suitable for pension fund investments. Indeed, CalPERS believes this point has already been reached.